

Madison River Telephone Company (MRTC)

FRN is 0004-3340-82

Tariff F.C.C. No. 1 (Access Service)

Description and Justification

Transmittal No. 19

Issued: August 17, 2004

Effective: September 1, 2004

Introduction

Madison River Telephone Company, LLC ("Madison River") hereby provides a Description and Justification for its individual rates proposed under Transmittal No. 19 of the Madison River Telephone Company, LLC Tariff F.C.C. No. 1 on behalf of Gallatin River Communications, LLC ("Gallatin River") and Gulf Telephone Company ("Gulftel") (collectively the "Companies").

This filing on August 17, 2004 to become effective on September 1, 2004 is made to add Local Number Portability ("LNP") End User Charges for Gallatin River and Gulftel. The new rates were developed to recover the incremental carrier-specific costs directly related to providing long-term number portability.

Exhibits 1 (Gulftel) and 3 (Gallatin River) – Cost Detail

Costs recovered through the end user charge include switch upgrades required for LNP capability (Line 5 Gulftel, Lines 5-8 Gallatin River), Neustar invoices for LNP (Lines 7-9 Gulftel, Lines 12-14 Gallatin River), upgrades to 911 (Line 10 Gallatin River), projected query charges for the recovery period (Line 15 Gulftel, Line 20 Gallatin River) and labor for company employees (Lines 16 and 17 Gulftel, Lines 21 and 22 Gallatin River). In identifying which LNP costs could be included in the rate, two criteria were used based on FCC guidelines: a) whether the costs could have been avoided if LNP were not implemented, and b) whether the costs were incurred for the provision of number portability. With regard to the labor costs, the companies accumulated the incremental costs of preparing and maintaining systems to provide LNP.

Exhibits 2 (Gulftel) and 4 (Gallatin River) – End User Charge Rate Development

End user charge rate development shows the annual projected revenues and expenses over the 5 year recovery period, calculates the net present value and sums those values. All expenditures prior to June, 2004 were treated as if they occurred on day one. The model calculates present value factors (Line 6 Gulftel, Line 6 Gallatin River) using a discount of 11.25%.

Exhibits 1 and 3 show annual costs for Gulftel and Gallatin River, respectively. The cost totals carry forward to the End User Charge Rate Development (Gulftel from Exhibit 1 Line 11 to Exhibit 2 Line 5, Gallatin River from Exhibit 3 Line 16 to Exhibit 4 Line 5). This exhibit shows the total of annual costs for Gulftel of \$480,370.48 (the Sum of Line 8 and Line 13) and Gallatin River of \$670,538.78 (the Sum of Line 8 and Line 13). Gallatin River's higher costs are due in part to a greater number of access lines, but to a greater degree, to a more complex network structure, which stems from non-contiguous exchanges operating in multiple LATAs.

The demand for LNP capable access lines, including PBX trunks and PRI-ISDN lines and queried calls were projected over five (5) years. In calculating LNP End User Charges, PRI-ISDN lines were assigned a weight of five (5) (Line 17 Gulftel, Line 17 Gallatin River), and PBX trunks were assigned a weight of nine (9) (Line 16 Gulftel, Line 16 Gallatin River).

Gallatin River has experienced a decline in access lines for several years now. Over the last two years, the average decline was 1% per year, and Gulftel's decline over that same period was 0.125%, so those percentages were used to project demand units for LNP capable access lines. Lifelines were excluded, then ISDN-PRI lines and PBX trunks were weighted as indicated above and an adjusted line count used to calculate revenues from particular rates. Madison River analyzed current call volumes to estimate LNP query demand and calculated an estimated number of queries per line. Future demand was then projected to coincide with this estimate.

Exhibit 1

LINE	B	C	D	E	F	G	H
1							
2	<u>Period:</u>	0	1	2	3	4	5
3							
4	<u>Investment:</u>						
5	Switching Cost	\$ 210,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
6	IT External Msg Proc	25,000.00	-	-	-	-	-
7	Neustar Invoices 2004 & Future	4,292.92	6,824.28	6,824.28	6,824.28	6,824.28	6,824.28
8	Neustar Invoices 2003	7,701.48	-	-	-	-	-
9	Neustar Invoices 2002	5,947.00	-	-	-	-	-
10							
11	Investment Total	\$ 252,941.40	\$ 6,824.28	\$ 6,824.28	\$ 6,824.28	\$ 6,824.28	\$ 6,824.28
12							
13	<u>Expenses:</u>						
14	A-Links *	\$ 2,460.25	\$ 5,904.60	\$ 5,904.60	\$ 5,904.60	\$ 5,904.60	\$ 5,904.60
15	Queries	\$ 1,386.74	\$ 5,449.75	\$ 5,299.66	\$ 5,148.89	\$ 5,009.18	\$ 4,878.97
16	Implementation Labor	\$ 38,155.37	\$ -	\$ -	\$ -	\$ -	\$ -
17	Recurring Labor **	\$ 10,387.44	\$ 30,008.16	\$ 30,008.16	\$ 30,008.16	\$ 30,008.16	\$ 30,008.16
18	Total Expenses	\$ 52,389.80	\$ 41,362.51	\$ 41,212.42	\$ 41,061.65	\$ 40,921.94	\$ 40,791.73
19							
20	* A-links include incremental costs only.						

Madison River Telephone Company
Gulf Telephone Company
Local Number Portability
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Exhibit 2

LINE	B	C	D	E	F	G	H
1							
2	<u>Period:</u>	0	1	2	3	4	5
3							
4	<u>Investment:</u>						
5	LNP End User Investment	\$ 252,941.40	\$ 6,824.28	\$ 6,824.28	\$ 6,824.28	\$ 6,824.28	\$ 6,824.28
6	Present Value Factors	1	0.902447645	0.806847556	0.721374788	0.644956511	0.576633545
7	Present Value of Investment	\$ 252,941.40	\$ 6,158.56	\$ 5,506.15	\$ 4,922.86	\$ 4,401.36	\$ 3,935.11
8	Sum of Present Value of Investment	\$ 277,865.45					
9							
10	<u>Expenses:</u>						
11	LNP End User Expenses	\$ 52,389.80	\$ 41,362.51	\$ 41,212.42	\$ 41,061.65	\$ 40,921.94	\$ 40,791.73
12	Present Value of Expenses	\$ 52,389.80	\$ 37,327.50	\$ 33,252.14	\$ 29,620.84	\$ 26,392.87	\$ 23,521.88
13	Sum of Present Value of Expenses	\$ 202,505.04					
14							
15	<u>Access Lines:</u>						
16	PBX (times 9)		63,828	63,828	63,828	63,828	63,828
17	ISDN-PRI (times 5)		88,860	88,860	88,860	88,860	88,860
18	Other		594,212	661,284	660,420	659,556	658,692
19	Total Chargeable Lines		746,900	813,972	813,108	812,244	811,380
20	Present Value of Chargeable Lines		674,038	656,751	586,556	523,862	467,869
21	Sum of Present Value of Chargeable Lines	2,909,076					
22							
23	LNP End user Basic Charge	\$ 0.17					
24	LNP End User ISDN-PRI Charge	\$ 0.85					
25	LNP End User PBX Charge	\$ 1.53					

Exhibit 3

LINE	B	C	D	E	F	G	H
1							
2	<u>Period:</u>	0	1	2	3	4	5
3							
4	<u>Investment:</u>						
5	Pekin CO	\$ 132,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
6	Galesburg CO	112,000.00	-	-	-	-	-
7	Dixon CO 1	80,000.00	-	-	-	-	-
8	Dixon CO 2	95,040.00	-	-	-	-	-
9	EUR Change Control	1,140.00	-	-	-	-	-
10	E-911	2,500.00	-	-	-	-	-
11	LMS Message Processing	15,000.00	-	-	-	-	-
12	Neustar Invoices 2004 & Forward	8,542.84	13,722.00	13,722.00	13,722.00	13,722.00	13,722.00
13	Neustar Invoices 2003	15,356.31	-	-	-	-	-
14	Neustar Invoices 2002	12,087.78	-	-	-	-	-
15							
16	Investment Total	\$ 473,666.93	\$ 13,722.00	\$ 13,722.00	\$ 13,722.00	\$ 13,722.00	\$ 13,722.00
17							
18	<u>Expenses:</u>						
19	A-Links *	\$ 2,460.25	\$ 5,904.60	\$ 5,904.60	\$ 5,904.60	\$ 5,904.60	\$ 5,904.60
20	Queries	1,386.74	5,449.75	5,299.66	5,148.89	5,009.18	4,878.97
21	Implementation Labor	41,589.17	-	-	-	-	-
22	Recurring Labor **	3,895.29	15,581.16	15,581.16	15,581.16	15,581.16	15,581.16
23	Total Expenses	\$ 49,331.45	\$ 26,935.51	\$ 26,785.42	\$ 26,634.65	\$ 26,494.94	\$ 26,364.73
24							
25	* A-links include incremental costs only.						

Madison River Telephone Company
Gallatin River Communications, LLC
Local Number Portability
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Exhibit 4

LINE	B	C	D	E	F	G	H
1							
2	<u>Period:</u>	0	1	2	3	4	5
3							
4	<u>Investment:</u>						
5	LNP End User Investment	\$ 473,666.93	\$ 13,722.00	\$ 13,722.00	\$ 13,722.00	\$ 13,722.00	\$ 13,722.00
6	Present Value Factors	1	0.902447645	0.806847556	0.721374788	0.644956511	0.576633545
7	Present Value of Investment	\$ 473,666.93	\$ 12,383.39	\$ 11,071.56	\$ 9,898.70	\$ 8,850.09	\$ 7,912.57
8	Sum of Present Value of Investment	\$ 523,783.24					
9							
10	<u>Expenses:</u>						
11	LNP End User Expenses	\$ 49,331.45	\$ 26,935.51	\$ 26,785.42	\$ 26,634.65	\$ 26,494.94	\$ 26,364.73
12	Present Value of Expenses	\$ 49,331.45	\$ 24,307.89	\$ 21,611.75	\$ 19,213.57	\$ 17,088.09	\$ 15,202.79
13	Sum of Present Value of Expenses	\$ 146,755.53					
14							
15	<u>Access Lines:</u>						
16	PBX (times 9)		86,238	84,942	83,646	82,350	81,054
17	ISDN-PRI (times 5)		9,660	9,660	9,660	9,660	9,660
18	Other		712,909	778,602	770,422	762,348	754,339
19	Total Chargeable Lines		808,807	873,204	863,728	854,358	845,053
20	Present Value of Chargeable Lines		729,906	704,543	623,072	551,024	487,286
21	Sum of Present Value of Chargeable Lines	3,095,830					
22							
23	LNP End user Basic Charge	\$ 0.22					
24	LNP End User ISDN-PRI Charge	\$ 1.10					
25	LNP End User PBX Charge	\$ 1.98					

Madison River Telephone Company

Certification

I am Michael T. Skrivan, Vice President of Revenues for Madison River Telephone Company, LLC. I hereby certify that I have overall responsibility for the preparation of all data supporting the Madison River Telephone Company's August 17, 2004 Access Tariff Filings and that I am authorized to execute this certification. Based upon information provided to me by employees responsible for the preparation of, or for supervision of the preparation of the data submitted in support of the rates contained in the proposed tariff, I hereby certify that the data have been examined and reviewed by me and are true, correct, and complete.

Michael T. Skrivan
Vice President – Revenues
Madison River Telephone Company

(Persons making willful false statements in this report form can be punished by fine or imprisonment under the provisions of the US Code, Title 18, Section 1001.)